

Message Text

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ACTION EUR-12

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FM AMEMBASSY NICOSIA
TO SECSTATE WASHDC PRIORITY 5138
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY LONDON

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E.O. 11652: N/A
TAGS: EAID, SREF, CY
SUBJECT: GOVERNMENT OF CYPRUS REFUGEE REHABILITATION BUDGET

REF: STATE 004239

1. BACKGROUND TO GOC'S PRESENTATION SEEKING AID FOR CY1978 (REALLY AIMED AT OUR FY1978) IS AS FOLLOWS.
2. WHAT FONOFF DIRGEN PELAGHIAS HAS TERMED "FRIENDS OF CYPRUS IN CONGRESS" INFORMED CYPRUS AMBASSADOR DIMITRIOU THAT CASE FOR FY1978 US AID TO CYPRUS WOULD BE WEAK IF BASED ON REFUGEE NEEDS ONLY, GIVEN COMPARISON BETWEEN CONDITION OF CYPRUS REFUGEES AND THOSE ELSEWHERE IN WORLD. THE FRIENDS RECOMMENDED GOC QUICKLY PREPARE A PRESENTATION BASED ON REFUGEE NEEDS PLUS RELATED REHABILITATION/DEVELOPMENT REQUIREMENTS.
3. PRESENT PAPER IS RESULT OF GOC'S CRASH EFFORT TO COMPLY WITH FRIENDS' SUGGESTION. TEXT HAD ALREADY BEEN SENT TO DIMITRIOU FOR DISTRIBUTION IN CONGRESS WHEN WE WERE INFORMED OF THE PROJECT BY PELAGHIAS. AT OUR SUGGESTION, DIMITRIOU

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WAS TOLD TO HOLD UP DISTRIBUTION TO ALLOW AN OPPORTUNITY FOR DISCUSSION HERE AND, FOLLOWING THAT, FOR PRESENTATION TO DEPT BEFORE DISSEMINATION TO CONGRESS.

4. ON JANUARY 7, I MET WITH FONMIN CHRISTOPHIDES, MINFIN PATSALIDES, AND CYPRUS RED CROSS PRESIDENT SOULIOTI TO CONVEY EMBASSY'S REACTION TO THE GOC PAPER. IN BRIEF, I

SAID GREEK CYPRIOTS HAD PERFORMED THEMSELVES OUT OF AID ELIGIBILITY IF CRITERIA OF COMPARATIVE NEED WERE APPLIED. MINISTERS DID NOT DISAGREE BUT URGED THAT THERE WERE NEEDS THAT COULD NOT BE MET BY GOC AND CYPRUS SHOULD BE CONSIDERED AS A SPECIAL CASE BECAUSE OF ITS UNSOLVED PROBLEM AND IMPORTANCE FOR STABILITY IN EASTERN MEDITERRANEAN. MEETING WAS IN EFFECT A FRIENDLY STAND-OFF WITH MINISTERS AWARE THAT WE WOULD BE COMMENTING CRITICALLY TO DEPT ON MANY ELEMENTS IN GOC PRESENTATION, BUT AWARE ALSO THAT FINAL CONGRESSIONAL POSITION ON FY1978 AID TO CYPRUS UNLIKELY TO BE BASED ON ECONOMIC CONSIDERATIONS.

5. FOLLOWING ARE EMBASSY COMMENTS ON GOC PRESENTATION.

A. EMBASSY BELIEVES GOC'S VIEW OF BUDGET CONSTRAINTS AND GENERAL HEALTH OF ECONOMY IN 1978 IS OVERLY PESSIMISTIC WHILE LIST OF "URGENT" NEEDS IS SOMEWHAT INFLATED. GOC IS AWARE THAT FOREIGN DONATIONS WILL FALL FAR SHORT OF \$134M GOAL. GOC WEAKENS ITS CASE BY FAILING TO INDICATE PROJECT PRIORITIES OR LEVEL OF LOCAL FUNDING FOR WHICH IT WILL BUDGET. NOR DOES THE PRESENTATION ADDRESS ITSELF TO THE MATTER OF TERMINATION DATE BUT SUGGESTS RATHER THAT 1978 WILL NOT BE THE LAST YEAR FOREIGN HUMANITARIAN AID WILL BE REQUIRED.

B. CERTAIN PROJECT SUPPORT ITEMS (INCLUDING SALARY AND VARIOUS ADMINISTRATIVE COSTS), NOT PRESENTLY CARRIED BY FOREIGN AID CONTRIBUTIONS, ARE INCLUDED IN PROJECTS TO BE EXTERNALLY FUNDED IN 1978.

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C. PRESENTATION FAILS TO NOTE STRENGTH OF PRESENT ECONOMIC REACTIVATION AND GIVES NO INDICATION OF EXTENT DISPLACED PERSONS HAVE ALREADY BEEN "REACTIVATED."

D. OTHER EXTERNAL PROGRAMS (WFP, IBRD) WHICH PROVIDE RESETTLEMENT AND REACTIVATION ASSISTANCE TO CYPRIOTS DISPLACED IN 1974 ARE NOT MENTIONED. NOR ARE PRIOR YEAR PROGRAMS (REACTIVATION AND RESETTLEMENT) WHICH, IN PART, 1978 PROGRAM WOULD APPEAR TO DUPLICATE.

E. WHILE EMBASSY RECOGNIZES THAT SOME STATISTICAL DATA CAN BE INTERPRETED IN SEVERAL WAYS, WE FEEL PRESENTATION GIVES TOO BLEAK A PICTURE OF OVERALL STATUS OF DISPLACED PERSONS. CRAWFORD

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